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SUBJECT: KATANGA'S ORE EXPORT SUSPENSION CONTINUES

REF: KINSHASA 330

Classified By: EconOff W.Brafman for reasons 1.4 b/d.

¶1. (SBU) Katanga Governor Moise Katumbi's recent order suspending the export of unprocessed ore from the province remains in place (reftel) and has created noticeable impact. The suspension is pursuant to Katumbi's March 6 communique stating that the suspension's purpose is to combat the loss of public revenue due to customs fraud through under-declaration and other methods.

¶2. (SBU) Katanga has seven official customs posts - although not all function. Katanga borders Zambia, Angola and Tanzania, and a substantial portion of the copper and cobalt ore from the province currently goes into Zambia for processing or for onward transport to South Africa. The crossing into Zambia at Kasumbalesa, about 65 miles from Lubumbashi, is the busiest post and hence is bearing the brunt of the export suspension order. Customs officials are stopping all trucks attempting to enter Zambia with ore, and they are fining those without proper documentation for their shipments. According to an inspector at OFIDA, the DRC's customs agency, Katumbi initially granted some oral waivers to exporters, creating confusion at customs borders.

¶3. (SBU) Authorities began releasing some shipments into Zambia again on March 19, but it is not clear whether any of the fined transporters are among those cleared for passage. Rashid Patel, the Coordinator of the Congolese Chamber of Commerce's (FEC) National Mines Commission told EconOff some exporters are simply abandoning their trucks at the border rather than risk paying any fines.

¶4. (C) The suspension of exports is impacting companies of all sizes. Managers of both Canadian company First Quantum and South African company Metorex complained to EconOff that their shipments have been held up despite their possession of a waiver to export the ore. (Note: The Mining Code permits companies who obtain a waiver from the Minister of Mines to export unprocessed ore. End note.) The Chief Operating Officer of Australian company Anvil Mining told EconOff that the provincial government has not suspended its copper and silver export into Zambia at a customs post on Lake Mweru, in northeastern Katanga, but that some of its trucks from Kolwezi, in southern Katanga, are stopped at Kasumbalesa. Metorex reportedly has more than sixty trucks, containing a total of 2500 tons of concentrate, waiting to clear customs in transit to its Zambia processing plant. FEC's Patel acknowledged that the GDRC is using this suspension to ensure that First Quantum and other companies with waivers are complying with the quantity and payment conditions of those waiver agreements.

¶15. (C) The GDRC is now backing Katumbi's decision and is seeking MONUC's support too. Although Vice Minister Kasongo initially said Katumbi did not have authority to enact the suspension (reftel), March 19 he claimed Katumbi obtained the Ministry of Mines' support for the suspension in advance of enacting it. During their visit to Katanga the Ministers of Mines and Finance publicly stated they support the suspension, according to Congolese media. Katangan officials have even asked MONUC to support the suspension. Slobodan Didi, the MONUC head of office in Lubumbashi told EconOff provincial officials have asked MONUC for assistance in securing the border at Kasumbalesa. Didi said MONUC is considering providing the support of an Indian border police unit, whom he said initially came to Katanga to provide security support during the 2006 elections period.

COMMENT

¶16. (SBU) Katumbi has other issues with Zambia due to his acknowledged ties to the former Zambian president Frederick Chiluba. He maintains, nonetheless, that his order to suspend the export of unprocessed ore is to increase state revenue and end illegal exportation of the DRC's natural resources. End comment.

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